

## Message Text

CONFIDENTIAL

PAGE 01 MADRID 06209 021213Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
HA-05 EB-08 TRSE-00 OMB-01 COME-00 LAB-04 SIL-01  
BIB-01 /086 W

-----049167 030103Z /14

R 021204Z JUN 78  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC 4779

C O N F I D E N T I A L MADRID 06209

E.O. 11652: N/A  
TAGS: PINT, SP  
SUBJECT: VIEWS OF MINISTER OF FINANCE FRANCISCO FERNANDEZ  
ORDONEZ ON FUTURE SPANISH ECONOMIC AND POLITICAL PROSPECTS

REF: MADRID 05516, 05567

1. DURING A COURTESY CALL ON JUNE 1 BY TREASURY ASSISTANT SECRETARY BERGSTEN ACCOMPANIED BY THE CHARGE ON MINISTER OF FINANCE FERNANDEZ ORDONEZ, THE MINISTER HAD THE FOLLOWING TO SAY ABOUT ECONOMIC AND POLITICAL PROSPECTS.
2. HE SAID THE STABILIZATION PROGRAM INITIATED LAST SUMMER WAS INDEED GOING VERY WELL THUS FAR AND HE EXPECTED IT TO CONTINUE TO SHOW PROGRESS FOR THE REMAINDER OF 1978 WITH THE GOAL OF REDUCING THE RATE OF INFLATION TO 17 OR EVEN BELOW FOR THIS YEAR BEING MET. HOWEVER, HE WAS CONCERNED ABOUT 1979, WAS TURNING HIS ATTENTION TO WHAT THE SPECIFICS OF NEXT YEAR'S ECONOMIC PROGRAM SHOULD BE, AND WAS ALREADY TALKING ABOUT IT WITH SOME OF THE OPPOSITION. HE WAS CONVINCED THAT IT WAS VERY IMPORTANT TO REACH A CONSENSUS AMONG POLITICAL LEADERS THIS AUTUMN ON THE GUIDELINES FOR THE COMING YEAR. HE SAID THAT COMMUNIST

CONFIDENTIAL

PAGE 02 MADRID 06209 021213Z

LEADER CARRILLO WAS BEING RESPONSIVE BUT WAS TALKING IN TERMS OF AGREEMENT ON A THREE YEAR RATHER THAN A ONE YEAR ONWARD PROGRAM. ON THE OTHER HAND WORKERS COMMISSIONS CHIEF CAMACHO WAS OPPOSED TO CONTINUING THE STABILIZATION EFFORT AND WAS TALKING ABOUT A LARGE GOVERNMENT DEFICIT SPENDING PROGRAM TO DEAL WITH UNEMPLOYMENT; AND THE SOCIALISTS WERE RELUCTANT TO TALK ABOUT ECONOMIC ISSUES

AT ALL AT THIS TIME. FERNANDEZ ORDONEZ HIMSELF WAS CONVINCED THAT MONETARY AND FISCAL AUSTERITY MEASURES MUST BE CONTINUED AND AGREEMENT MUST BE REACHED ON MODERATING WAGE INCREASES IN THE NEXT ROUND OF BARGAINING BEGINNING IN THE LATTER PART OF 1978 SO THAT INFLATION COULD BE REDUCED SUBSTANTIALY IN 1979.

3. WITH REGARD TO POLITICS FERNANDEZ ORDONEZ AGREED WITH THE VIEW OF GARRIGUES WALKER, MINISTER OF PUBLIC WORKS, REPORTED IN REF B, THAT IT WAS IMPORTANT TO HAVE LEGISLATIVE ELECTIONS AS SOON AS POSSIBLE AFTER THE REFERENDUM ON THE CONSTITUTION. HE NOTED THAT SOME PEOPLE TALKED ABOUT A POSSIBLE COALITION GOVERNMENT BETWEEN THE UCD AND THE PSOE AS A SUBSTITUTE FOR EARLY LEGISLATIVE ELECTIONS BUT HE DID NOT CONSIDER THIS TO BE A WORKABLE IDEA. HE DISMISSED PRESS SPECULATION THAT SOME MINISTERS, INCLUDING PERHAPS HIMSELF AND GARRIGUES WALKER, MIGHT LEAVE THE UCD NOTING THAT HE AND GARRIGUES HAD MADE JOINT STATEMENTS TO THE MADRID DAILY ABC WITHIN THE LAST WEEK REAFFIRMING THEIR COMMITMENT TO THE UCD. HE CLAIMED THAT MOST UCD THINKING, INCLUDING THAT OF PRIME MINISTER SUAREZ, NOW FAVORED HOLDING LEGISLATIVE ELECTIONS SOON AFTER THE CONSTITUTIONAL REFERENDUM, PERHAPS IN CONJUNCTION WITH MUNICIHAL ELECTIONS. HE TALKED ABOUT A POSSIBLE RESTRUCTURING OF THE GOVERNMENT AFTER NATIONAL ELECTIONS INCLUDING THE POSSIBILITY OF A UCD/PSOE COALITION  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MADRID 06209 021213Z

THEN. HE THOUGHT THAT FELIPE GONZALEZ WOULD BE AT LEAST MODERATELY SUCCESSFUL IN PROVIDING A SOCIAL DEMOCRATIC IMAGE TO THE PSOE, BUT SAID THAT IN CURRENT CIRCUMSTANCES IN VIEW OF THE IDEOLOGICAL DIVISIONS WITHIN THE PSOE ONE MUST EXPECT PSOE LEADERSHIP TO BE ESSENTIALLY AMBIGUOUS ON THIS ISSUE, SAYING ONE THING TO THE "BANKERS" AND ANOTHER TO THEIR LEFTIST SUPPORTERS.

4. COMMENT: UCD "COORDINATOR" ARIAS SALGADO (WHO WAS A FERNANDEZ ORDONEZ FOLLOWER AT THE TIME OF LAST YEAR'S ELECTION CAMPAIGN) TOLD CODEL BURTON ON MAY 30 QUITE CATEGORICALLY THAT HE EXPECTED NATIONAL LEGISLATIVE ELECTIONS TO OCCUR SIMULTANEOUSLY WITH MUNICIPAL ELECTIONS WITHIN A FEW MONTHS AFTER THE CONSTITUTIONAL REFERENDUM. THE VIEWS OF FERNANDEZ ORDONEZ, ARIAS SALGADO AND GARRIGUE WALKER ON THIS POINT DIFFER FROM THOSE EARLIER REPORTED AS HELD BY SANCHEZ TERAN. HOWEVER, THERE IS INCREASING PUBLIC SPECULATION THAT BOTH UCD AND THE PSOE ARE REACHING THE CONCLUSION THAT LEGISLATIVE ELECTIONS SHOULD BE HELD NOT LONG AFTER THE REFERENDUM. THERE IS CONSIDERABLE LOGIC IN THIS CALENDAR FROM THE POINT OF VIEW OF PRESENT POLITICAL CIRCUMSTANCES, BUT THE FINAL DECISION WILL

PROBABLY NOT BE MADE UNTIL THE POLITICAL SITUATION IS  
GAUGED AFTER THE CONSTITUTIONAL REFERENDUM TAKES PLACE.  
EATON

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC TRENDS, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978MADRID06209  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** DG ALTERED  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780232-0238  
**Format:** TEL  
**From:** MADRID  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t197806103/aaaadkkl.tel  
**Line Count:** 119  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** c125777c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 MADRID 5516  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 23 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2146230  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VIEWS OF MINISTER OF FINANCE FRANCISCO FERNANDEZ ORDONEZ ON FUTURE SPANISH ECONOMIC AND POLITICAL PROSPECTS  
**TAGS:** PINT, ECON, EFIN, PEPR, SP, (ORDONEZ, FRANCISCO FERNANDEZ)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/c125777c-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014